

 <p style="text-align: center;"><b>Council Communication</b> Office of the City Manager</p>	<b>Date:</b> February 22, 2016
	<b>Agenda Item No.</b> 37 <b>Roll Call No.</b> <u>16-0288</u> <b>Communication No.</b> <u>16-099</u> <b>Submitted by:</b> Phillip Delafield, <b>Community Development Director</b>

**AGENDA HEADING:**

Resolution approving master subordination agreement and estoppel certificate for refinancing Ingersoll Square Phase III at 2005 Ingersoll Avenue.

**SYNOPSIS:**

Ingersoll Square Phase III Associates, L.P. (Frank Levy, President, Newbury Management Company 3408 Woodland Avenue, Suite 504, West Des Moines, Iowa 50266) has requested approval of continued subordination of the City’s HOME mortgage and Economic Development Loan to a new primary mortgage for the project.

**FISCAL IMPACT:**

Amount: 58% of project generated tax increment on the residential portion of the building in years 11-20, payments beginning no sooner than November 1, 2024. (NPV \$574,594) \$430,000 supplemental economic development grant, \$350,000 HOME funds.

Funding Source: Metro Center Urban Renewal TIF District tax increment revenues from taxes paid on new valuation generated by the project, \$430,000 economic development grant to be funded with land sale proceeds from the sale of City-owned property at E. 4<sup>th</sup> Street and E. Locust Street, and Fiscal Year (FY) 2014 Operating Budget, Community Development Department, Special Revenue Fund, HOME2012000, SP036, CDD049900, page 57.

**ADDITIONAL INFORMATION:**

- By Roll Call 13-1809 on November 18, 2013 the City Council approved a financing package for construction of the commercial and housing development located at the corner of Ingersoll and Martin Luther King Parkway.
- The Economic Development Loan is a \$430,000 Supplemental Grant, with provision for potential repayment to the City after year 11.
- The HOME loan is a \$350,000 Loan at 1% interest with a \$3,500 interest payment beginning in 2016 and balloon repayment of principal in 2034.
- The HOME program terms of affordability will not be effected by the refinance and will continue through 2027. The project has been monitored for HOME compliance annually with no findings.
- The HOME restrictive covenants for affordable rents for income qualified tenants remain in first position. The HOME mortgage is subordinated.

- Frank Levy, on behalf of Ingersoll Square Phase III Associates, L.P submitted the 2015 income statement as well as the Pro Forma used by the lender to support the refinancing.
- Staff reviewed the financial report per the HOME contract and determined the refinance will allow coverage to support the HOME loan payments starting with the first scheduled payment this June.
- Staff concludes the refinance will strengthen the project and insure the City receives its annual HOME payments and potential repayment of the Economic Development Loan.

**PREVIOUS COUNCIL ACTION(S):**

Date: November 18, 2013

Roll Call Number: [13-1809](#)

Action: [Urban](#) Renewal Development Agreement with Ingersoll Square Phase III Associates LP for a mixed-use development at the northeast corner of Martin Luther King, Jr. Parkway and Ingersoll Avenue and approving Proposed Conceptual Development Plan and Approving HOME Documents for a \$350,000 below market interest rate loan. ([Council Communication No. 13-573](#)) Moved by Coleman to adopt. Motion Carried 6-0.

**BOARD/COMMISSION ACTION(S): NONE**

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE**

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